AR23

SUPERPACK CORPORATION LIMITED 1969 ANNUAL REPORT

SUPERPACK CORPORATION LIMITED

Officers

I. Gould, *Chairman of the Board*
T. D. Richmond, *President*
G. Brina, *Vice-President*
M. E. Gould, *Vice-President—European Operations*
H. Vinnet, *Vice-President—Finance*
N. White, *Secretary*
G. Papernick, *Treasurer*

Directors

G. Brina
I. Gould
H. W. Marache Jr.
T. D. Richmond
N. White

Registrar and Transfer Agent

Guaranty Trust Company of Canada

Auditors

Perlmutter, Orenstein, Giddens,
Newman & Co.

General Counsel

Manning, Bruce, Macdonald & Macintosh

Head Office

254 Bartley Drive
Toronto 16, Ontario, Canada

Branch Offices

Montreal, *Canada*
Los Angeles, *California*
St. Louis, *Missouri*
Elizabeth, *New Jersey*
London, *England*
Nassau, *Bahamas*

ANNUAL REPORT 1969

Letter from the President

As indicated in our quarterly reports to you throughout the current fiscal year, your Company's operations in 1969 have been affected by the softness in the North American and United Kingdom economies. This situation resulted in a 3% decrease in sales for the year to $10,320,004. This slow-down, together with the fact that the Company's earnings are now fully taxable and an increase in the average number of shares outstanding during the year, also resulted in lower earnings per share. The first quarter of the 1970 fiscal year has been similarly affected and the results from that period are enclosed with this report.

The opening of a new packaging plant in the United Kingdom to facilitate the packaging of the Company's private label brands as well as the Lever Brothers brand name products was a significant event during the year.

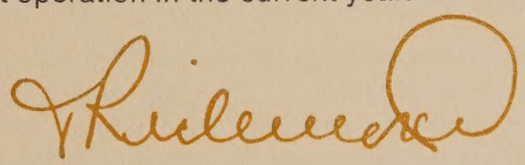
Over the past year, your directors have been investigating new directions for your Company's expansion. We have been looking for profitable, well-managed companies in those sectors of the economy which show the greatest rates of growth such as consumer and financial services. We were particularly interested in finding companies which have potential for international expansion so that the expertise acquired by our management in the expansion internationally in the coin laundry field could be applied to new areas.

I am pleased to report that on March 6, 1970, we acquired all of the capital stock of Scholarship Consultants of North America Ltd. (SCONA), a company which eminently meets those qualifications. For the eight months ended December 31, 1969, the net earnings of SCONA were $126,524, and, although your Company will only be able to consolidate earnings of this acquisition from March 31, 1970, we expect it to make a substantial contribution to the 1970 fiscal year's earnings. Mr. Leslie L. Cahan, Chairman of SCONA, and Mr. Stanley Heller, President, have entered into long-term management contracts and have agreed to accept nomination as directors of Superpack. SCONA is the exclusive enrollment agent and administrator of University Scholarships of Canada, which offers to the public a specially designed Trust Fund to provide parents with needed cash for their children's university education. A description of the operations of University Scholarships of Canada is included in this Report.

SCONA employs over 200 representatives in 18 regional enrollment offices located in the major centres of Canada from coast to coast with the head office in Toronto. The University Scholarships of Canada programme has been very widely accepted by the Canadian public and currently has in excess of 35,000 children enrolled, representing over $60,000,000 worth of committed contracts, which, on maturity, will have accumulated to over $100,000,000. The programme is endorsed by over 400 of Canada's leading educators, civic officials, and businessmen who contribute their time and energy to its objectives. This programme is unique in nature and while University Scholarships of Canada is a relative newcomer to the field, it is by far the largest in terms of current enrollments in Canada today. The general public is becoming more and more aware of the benefits offered in the plan and a rapidly expanding market is anticipated in the next few years.

The acquisition of SCONA was facilitated by the continuing high level of cash flow which enabled the acquisition of this company to be made with no immediate dilution of the shareholders' equity. We welcome the management and employees of SCONA to the Superpack group and we are confident that they, as well as the laundry products and houseware divisions of the Company, will continue at their high level of efficient operation in the current year.

For the Board of Directors
THEODORE D. RICHMOND, President



Toronto, Canada, April 16, 1970.

Financial Summary

Ten Year Combined Financial Summary in Canadian Funds

Year End Nov. 30	*1969*	*1968**	*1967*	*1966*	*1965*	*1964*	*1963*	*1962*	*1961*	*1960*
Net Sales	$10,320,004	$10,622,673	$10,303,022	$9,929,648	$10,413,190	$9,110,775	$8,536,326	$7,060,064	$4,400,000	$3,691,000
Gross earnings	1,447,846	1,619,265	1,300,414	962,580	830,438	630,832	794,570	826,463	391,619	220,527
Depreciation and amortization	582,895	613,240	628,675	568,424	595,423	497,878	354,005	128,605	59,652	57,326
Interest	112,551	209,431	252,685	181,327	149,845	182,551	175,815	100,956	8,063	13,678
Income taxes	377,341	378,273	29,348	12,500	12,428	(71,118)	(35,432)	195,181	147,462	51,141
Net earnings (before extraordinary item)	375,059	418,321	389,706	200,329	72,742	21,521	300,182	401,721	176,442	98,382
Extraordinary item	68,538	200,203	—	—	—	—	—	—	—	—
Net earnings	443,597	618,524	389,706	200,329	72,742	21,521	300,182	401,721	176,442	98,382
Earnings per share on— Net earnings before extraordinary item	0.68	0.83	0.78	0.40	0.15	0.04	0.60	0.80	0.35	0.19
Net earnings	0.80	1.23	0.78	0.40	0.15	0.04	0.60	0.80	0.35	0.19
Funds provided by operations, per share	2.04	2.44	2.00	1.54	1.33	1.04	1.31	1.06	0.47	0.31
Average number of shares outstanding during year	550,625	502,025	501,005	501,005	501,005	501,005	501,005	501,005	501,005	501,005

* The financial summary has been restated for 1968 only, to reflect the retroactive change in accounting for income taxes as referred to in note 4 of the notes to consolidated financial statements.

Auditors' Report

TO THE SHAREHOLDERS,
SUPERPACK CORPORATION LIMITED.

Gentlemen:

We have examined the accompanying consolidated balance sheet of Superpack Corporation Limited and subsidiary companies as at November 30, 1969 and the related consolidated statements of earnings and retained earnings and source and application of funds for the year then ended. Our examination of Superpack Corporation Limited and the Canadian subsidiary companies included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

With respect to the financial statements of the foreign subsidiary companies we relied upon the reports of other independent auditors.

In our opinion, the accompanying consolidated financial statements present fairly the financial position of the companies as at November 30, 1969 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year (as restated — see notes 1 and 4).

Toronto, Canada,
April 16, 1970

"PERLMUTTER, ORENSTEIN, GIDDENS, NEWMAN & CO."
Chartered Accountants.

SUPERPACK CORPORATION LIMITED AND SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENT OF EARNINGS AND RETAINED EARNINGS
FOR THE YEAR ENDED NOVEMBER 30, 1969 WITH 1968 COMPARISONS

	1969	1968 (restated note 4)
SALES	$10,320,004	$10,622,673
EARNINGS BEFORE PROVISION FOR UNDERNOTED ITEMS	$ 1,447,846	$ 1,619,265
Depreciation on fixed assets	420,240	449,808
Amortization of intangible assets and deferred charges	162,655	163,432
Interest (including interest on long-term debt $106,637; 1968 — $196,851)	112,551	209,431
Provision for income taxes (Note 4)	377,341	378,273
NET EARNINGS BEFORE EXTRAORDINARY ITEM	$ 375,059	$ 418,321
Extraordinary item — income tax reductions (Note 4)	68,538	200,203
NET EARNINGS	$ 443,597	$ 618,524
RETAINED EARNINGS		
Balance — December 1, as previously stated	$ 1,417,097	$ 805,791
Less — Deferred income taxes (Note 4)	40,461	47,679
Balance — December 1, as restated	$ 1,376,636	$ 758,112
Balance — November 30	$ 1,820,233	$ 1,376,636
EARNINGS PER SHARE ON —		
Net earnings before extraordinary item	$ 0.68	$ 0.83
Net earnings	$ 0.80	$ 1.23
AVERAGE NUMBER OF SHARES OUTSTANDING	550,625	502,025

The accompanying notes form an integral part of these consolidated financial statements.

Balance Sheet

SUPERPACK CORPORATION LIMITED AND SUBSIDIARY COMPANIES

CONSOLIDATED BALANCE SHEET AS AT NOVEMBER 30, 1969

WITH 1968 COMPARISONS

ASSETS	1969	1968
		(restated note 1)
CURRENT ASSETS		
Cash	$ 79,601	$ 18,712
Short-term deposits	246,058	—
Accounts receivable (after allowances for doubtful accounts)	1,430,534	1,629,269
Inventories — at the lower of cost or net realizable value	1,292,220	979,434
Due from officers	6,223	10,530
Prepaid expenses and sundry assets	65,629	66,399
	$3,120,265	$2,704,344
FIXED ASSETS — at cost		
Vending units	$2,056,029	$2,088,015
Machinery, equipment, furniture and fixtures	1,658,940	1,476,093
Tools and dies	479,895	434,103
Vehicles	65,837	118,585
Leasehold improvements	269,527	251,618
	$4,530,228	$4,368,414
Less — Accumulated depreciation and amortization	2,932,116	2,695,384
	$1,598,112	$1,673,030
INVESTMENTS — at cost		
Investments — subsidiary companies *(note 1)*	$ 200	$ 200
Sundry investments	25,682	31,168
	$ 25,882	$ 31,368
PATENT RIGHTS, LICENSING AGREEMENTS, RESTRICTIVE COVENANTS AND DEFERRED DEVELOPMENT COSTS (less amortization)	$ 897,676	$1,031,935
EXCESS OF COST OF SHARES OF SUBSIDIARIES OVER BOOK VALUE OF NET TANGIBLE ASSETS (less amortization) *(note 1)*	$1,287,977	$1,303,991
COSTS OF ORGANIZATION AND ISSUE OF CAPITAL STOCK AND DEBENTURES (less amortization)	$ 30,294	$ 43,642
TOTAL ASSETS	$6,960,206	$6,788,310

Approved on behalf of the Board:

I. GOULD, *Director*

T. D. RICHMOND, *Director*

Toronto, Canada, April 16, 1970

LIABILITIES

	1969	1968 (restated note 4)
CURRENT LIABILITIES		
Bank indebtedness *(note 2)*	$ 109,241	$ 345,576
Accounts payable and accrued liabilities	822,451	1,044,740
Income taxes	336,482	175,857
Payroll deductions and sales taxes	75,304	84,507
Current portion of long-term debt	24,869	112,173
	$1,368,347	$1,762,853
LONG-TERM DEBT		
Debentures and bonds payable *(note 3)*	$1,443,713	$2,187,575
Loans and notes	3,756	19,903
	$1,447,469	$2,207,478
Less — Amount included in current liabilities	24,869	112,173
	$1,422,600	$2,095,305
DEFERRED INCOME TAXES *(note 4)*	$ 35,421	$ 40,461
TOTAL LIABILITIES	$2,826,368	$3,898,619

SHAREHOLDERS' EQUITY

CAPITAL STOCK *(note 5)*	$2,313,605	$1,513,055
RETAINED EARNINGS	1,820,233	1,376,636
	$4,133,838	$2,889,691
	$6,960,206	$6,788,310

The accompanying notes form an integral part of these consolidated financial statements.

SUPERPACK CORPORATION LIMITED AND SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS
FOR THE YEAR ENDED NOVEMBER 30, 1969 WITH 1968 COMPARISONS

SOURCE OF FUNDS	1969	1968
		(restated note 4)
OPERATIONS		
Net earnings	$ 443,597	$ 618,524
Add — Depreciation and amortization	591,420	613,240
	$1,035,017	$1,231,764
Less — Decrease in deferred income taxes	5,040	7,218
	$1,029,977	$1,224,546
PROCEEDS OF SHARE ISSUE	90,450	22,050
REALIZATION OF INVESTMENTS	5,486	—
TOTAL FUNDS PROVIDED	$1,125,913	$1,246,596

APPLICATION OF FUNDS	1969	1968
PURCHASE OF FIXED ASSETS	$ 352,881	$ 143,222
REPAYMENT OF LONG-TERM DEBT	49,909	755,600
MISCELLANEOUS APPLICATIONS	—	16,380
TOTAL FUNDS APPLIED	$ 402,790	$ 915,202
INCREASE IN WORKING CAPITAL (exclusive of long-term debt due within one year)	$ 723,123	$ 331,394

The accompanying notes form an integral part of these consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS NOVEMBER 30, 1969

1. PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of all the wholly owned subsidiary companies except two which were inactive throughout the year ended November 30, 1969. The inclusion of the accounts of these subsidiaries would have no significant effect on the consolidated financial statements. The investment in these subsidiaries is recorded at nominal value.

Conversions from currencies other than Canadian have been made at applicable rates and in accordance with the Company's regular accounting practices.

In prior years, $335,573 of the excess of the cost of the shares of certain subsidiaries over the underlying book value of their net tangible assets was allocated to fixed assets. Since the Company has not amortized this amount, but has based its depreciation of fixed assets of subsidiary companies on the cost to the subsidiaries, this amount has been retroactively reallocated to "Excess of cost of shares of subsidiaries over book value of net tangible assets".

2. BANK INDEBTEDNESS

Bank indebtedness to the extent of $37,000 is secured by assignments of accounts receivable and inventories.

3. DEBENTURES AND BONDS PAYABLE

	1969	1968
Debentures — 6% (see details below)	$1,386,234	$2,108,700
Unsecured income debenture bonds issued by a subsidiary, 10%, maturing 1972	57,479	78,875
	$1,443,713	$2,187,575

The 6% debentures issued by the Company mature on March 31, 1972 and are subject to the provisions of a Trust Indenture dated March 31, 1962, which provides, among other things, that the debentures, as of November 30, 1969, are

(a) secured by a floating charge on the assets of the Company and its subsidiaries,

(b) redeemable under certain conditions from time to time at a premium varying from 1⅞% to nil,

(c) convertible under certain conditions at the holder's option from time to time at one share per each $20.00 principal amount up to March 31, 1970; one share per each $21.25 principal amount up to March 31, 1971, and one share per each $22.50 principal amount thereafter and up to maturity.

4. INCOME TAXES

During the year, the Company, which previously used the taxes payable basis of accounting for taxes on income, adopted the tax allocation basis and as a result, taxes on income for the year ended November 30, 1969 are $5,040 less than they would have been if the previous basis had been used. The consolidated statement of earnings for the year ended November 30, 1968 has been restated to make it comparable with the current year, with a consequent decrease in the reported taxes on income for that year in the amount of $7,218. The tax allocation balances accumulated prior to 1968 amounting to $47,679 have been recorded as a charge to retained earnings and are included in "deferred income taxes" in the accompanying balance sheet.

In addition, income tax reductions resulting from the carry forward, for tax purposes, of prior years' losses, are shown as an extraordinary item in the accompanying statement of consolidated earnings. Similar reductions included in the 1968 operating results have been reclassified to conform with the basis followed in 1969.

5. CAPITAL STOCK

	Number of shares	Amount
(a) Authorized and issued capital stock as at November 30, 1969		
PREFERENCE		
Authorized — 50,000, 6%, cumulative shares, redeemable at $20.50, par value $20 each		
Issued and outstanding, nil	—	$ —
COMMON		
Authorized — 1,000,000 shares without par value		
Issued and outstanding		
Issued at December 1, 1968	506,705	$1,513,055
Issued on conversion of debentures	37,832	710,100
Issued for cash under employees' share option plan	20,100	90,450
Issued at November 30, 1969	564,637	$2,313,605

(b) Reservations of common shares

i) 69,312 shares are reserved for possible conversion of debentures (see note 3).

ii) as at November 30, 1969, 25,000 shares were reserved under an employees' stock option plan pursuant to which options at $9.90 per share were granted exercisable at any time up to October 8, 1971. Subsequent to the year end, options on 13,150 shares were so exercised.

iii) 25,000 shares have been reserved under the terms of a warrant indenture dated April 3, 1970. This indenture entitles the holders of the Series "A" warrants issued thereunder to purchase 25,000 common shares at the price of $15.50 per share at any time up to the close of business on April 3, 1973. (see note 8)

iv) 100,000 shares have been reserved under the terms of a supplemental warrant indenture dated April 3, 1970. This supplemental indenture entitles the holders of the Series "B" warrants issued thereunder to purchase 100,000 common shares at the price of $15.50 per share at any time up to the close of business on April 3, 1975. (see note 8)

6. REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

Executive officers' salaries aggregated $226,740 during the year ($230,640 in 1968).

7. LEASE COMMITMENTS

The Company and its subsidiaries, as the lessees of leasehold properties, have contractual obligations for minimum annual rental payments of approximately $163,000 under leases which have varying terms up to 1979.

8. SUBSEQUENT ACQUISITION OF SUBSIDIARY

By agreement dated March 6, 1970 as amended on April 3, 1970, the Company purchased all of the issued and outstanding shares of the capital stock of Scholarship Consultants of North America Ltd. for an aggregate purchase price of $3,950,000. Of this amount, $1,450,000 was paid on April 3, 1970, the date of closing, and $2,500,000 is payable without interest commencing April 29, 1972 in annual instalments based on net earnings of the subsidiary for the second last completed fiscal year immediately preceding the date of payment of each such instalment, the first seven instalments to be equal to 100% of such net earnings and any remaining instalments to be equal to 50% of such net earnings. In addition, pursuant to the terms of the agreement, certain of the vendors received on closing Series "B" warrants entitling the holders thereof to purchase 100,000 common shares in the capital of the Company as set out in note 5 (b) (iv).

In connection with the financing of this acquisition, a subsidiary of the Company, by agreement dated March 31, 1970, borrowed the amount of $1,200,000 (U.S.). This loan is repayable in thirty equal monthly principal instalments of $40,000 (U.S.) commencing April 30, 1970 together with interest at the rate of 12¾%, subject to variation based upon changes in the prime rate of the Chase Manhattan Bank, New York, except that at no time can the rate be less than 12% per annum. As security for the loan the subsidiary has pledged its accounts receivable, inventories, and certain of its equipment. The Company has guaranteed the loan and, as collateral security, has pledged its shares in the subsidiary. As consideration for the granting of the loan, the lender has received Series "A" warrants entitling the holders thereof to purchase 25,000 common shares in the capital of the Company as set out in note 5 (b) (iii).

What Is University Scholarships of Canada?

University Scholarships of Canada is a co-operative trust fund administered by The International Scholarship Foundation, an educational foundation. The International Scholarship Foundation makes available, through University Scholarships of Canada, a programme especially designed to provide parents with needed funds for their children's university education. It is organized as a co-operative trust fund in which the thousands of parents subscribing to the plan have joined together to help each other. This co-operative programme works as follows:

1. All children under ten years and four months of age can be enrolled in University Scholarships of Canada. Enrollment may be instituted by parents, grandparents, uncles, aunts and any relatives who are interested in the future of specific children. Companies, service clubs, fraternal organizations, trade unions and other groups may also sponsor children for participation in the programme.

2. When children are enrolled with University Scholarships of Canada, an individual scholarship savings account is opened in each child's name with a leading Canadian trust company. These savings accounts are under the parent's personal control at all times. All deposits are fully insured by the Government of Canada with the Canada Deposit Insurance Act.

3. Each participating parent in the programme donates only the interest that is earned on his scholarship savings account. It is this combined interest which provides the scholarships for all eligible children enrolled in the programme. This interest, which is donated by all participating parents is placed in a scholarship trust fund and held under a deed of trust which is irrevocable. It can be used for no other purpose than to provide scholarships or other educational assistance.

4. The programme is designed to enable each parent to donate the same amount of interest as the other participating parents. The amount deposited regularly is always the same and never changes. These deposits are based on the age of the children at the time of enrollment. The younger the child, the lower the deposit. The older the child, the larger the deposit, but fewer deposits are made. This is truly a co-operative trust fund.

5. Scholarships are paid without regard to other scholarships or other sources of financial support, including government aid. When the children are ready to enter university, the parent receives all the money saved in the scholarship savings account less the enrollment fee of $175 which is deducted from the regular deposits. These savings provide assistance for the children's first year at university. Then, at the start of each of the next three university years, scholarship cheques are sent to eligible students.

6. The amounts of these scholarships are determined by dividing the number of eligible students into the amount of funds in the scholarship trust account for that year. These scholarships are based on an average of all university expenses such as tuition, room and board, academic fees, including registration, laboratory, library and graduation fees, books, transportation, campus activities, etc. The Foundation in making its determination in this regard, is required to consult with and act on the advice of a committee composed of not less than three faculty members of a recognized university.

All children are eligible for enrollment. The child need only meet prevailing university entrance requirements and maintain passing grades. No competitive examinations are necessary to obtain the scholarship benefits from this programme.

If the parent wishes to discontinue participation in the programme, he must simply notify University Scholarships of Canada in writing. The child's name will then be removed from the registrar's records and all deposits will be returned, less the applicable amount of the enrollment fee.

Although the child must of course meet the necessary entrance requirements at the university of his choice, he may utilize the benefits from the fund to attend any recognized university anywhere in the world. The child may transfer from one university to another and still maintain his scholarship. This is especially important if the child is engaged in science or engineering studies. The child may also wish to attend some specialized university classes, perhaps outside of Canada, or at a university other than the one where the child will actually receive his degree. This is possible under the plan.

If a parent who is under 45 years of age when he subscribes should pass away before the programme is completed, his child will still participate in the plan benefits for his second, third and fourth years of university without any further deposits being made. The estate would be entitled on maturity to those deposits made up to the time of his death. When the parent is over the age of 45 at the time of enrollment, the child would participate in the benefits under the plan only if the balance of the deposits are paid according to schedule. An optional insurance fee assures that there will be a minimum of $2,000 available to assist in paying for the first year of university. The only requirement is that the parent at the time of enrollment be under 45 yars of age. No medical examination of the parent is required.

The potential market for University Scholarships of Canada, in Canada alone, is enormous. For the last year for which total figures are available, 1967, there were 4,451,800 children between the ages of 0 to 9 years old. Based on the 1967 birth rate of 18.2 per 1,000, the total population by 1980 in this age range would be 4,824,000. Considering that present enrollment includes only 35,000 children, less than 1% of the total market in Canada, and bearing in mind the increasing economic and social pressure for higher education, University Scholarships of Canada should be able to achieve a much higher proportion of the total market over the next ten years.

CYLINDRAMATIC VENDING

The growth of your company since 1961 has been the result of doing something better than anyone ever has before. For Superpack, this means producing both the machines and the specially designed packages they vend so that our units hold more product, virtually eliminate repair problems and require no investment on the part of the location owner. We call this development "cylindramatic vending."

Superpack vends the products it sells in spiral-wound, paperboard containers. Plastic bags are wedged into these cardboard tubes tightly enough so that they don't fall out, yet are easily removed by the housewife. When detergents are packaged in the cylinders, the ends are heat-sealed with thin, polyethylene film that protects against moisture and spillage. The tube is designed to contain a plastic bag of specific size (your company vends these in 10 cent and 25 cent sizes) or the exact amount of detergent needed for a perfect wash. A series of short, slanted arms, motivated by gravity, permits our vendors to hold up to six times more product than similar-sized units that contain traditional, rectangular packs heaped one on top of the other. Our grants of patents on this special form of packaging have effectively secured our position in "cylindramatic vending" in the future.

Superpack's engineers and designers had solved the three basic problems of cost, servicing and capacity that were plaguing the retailer of laundry supplies through coin-operated equipment. To the vending machine and packaging industries, the effect of this achievement has been indeed favourable.

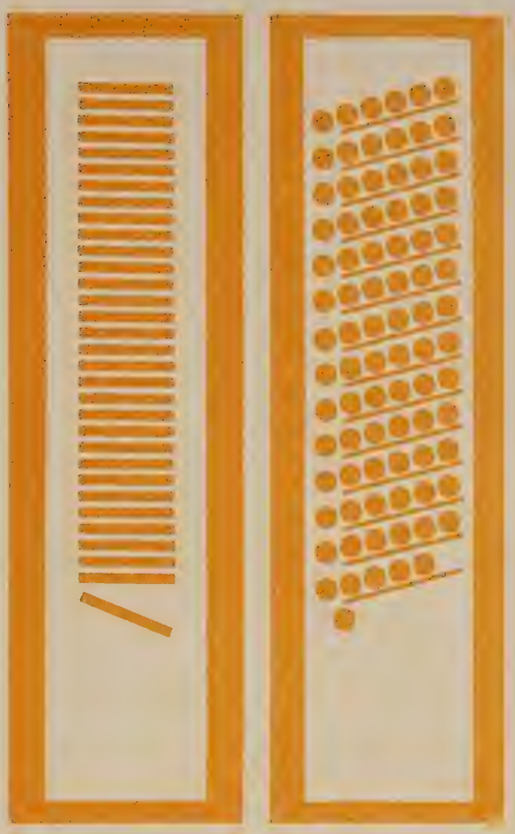
By holding more product, the Superpack "cylindramatic vendor" requires fewer visits from a service man for refills. These visits are one of the major costs to a distributor. In many cases, the installation of our unit has reduced the number of visits to one, where previously four had been necessary. For the location owner, a Superpack placement can mean as much as six times the amount of revenue he formerly derived from a machine that occupied the same amount of space.

Because the cylindrical packages are gravity-fed, (triggered by the insertion of a coin and dispensed by their own weight) the only moving part in the entire mechanism is the coin chute. As a result, repair problems are minimal. Again, this is a double blessing for both distributor and location owner. The units are virtually worry-free, and no selling time is lost.

Because your company is basically a packager, our business is dependent not on selling machines but on selling products. This is one of the differences between Superpack and those firms that may more properly be categorized as "vending machine companies." In the case of Superpack, each time we make an installation, we have "franchised" a "mechanical merchant" who sells our packages from that time forward, providing us with a measurable, geometric extension of sales and profits.

From its inception, your company has opened a whole new frontier of profits in coin-op laundry supplies to both the distributor and the location owner.

Through continual marketing surveys we have learned that our best results come from packaging products that are nationally known and advertised. We are continuing to conduct tests of "cylindramatic vending" with products outside of the laundry supply field. The impact of "cylindramatic vending" in these fields could equal or exceed the success we are already enjoying in coin-operated laundries.



OLD FASHIONED VENDING
Conventional vendors use only two dimensions: height and width

CYLINDRAMATIC VENDING
Utilizes height, width, and the third dimension: depth — increasing capacity up to six-and-one-half times

Two of the cylindramatic vending machines manufactured by Superpack Corporation Limited

SUPERPACK CORPORATION LIMITED

TORONTO, *Canada* • MONTREAL, *Canada* • LOS ANGELES, *California*
ST. LOUIS, *Missouri* • ELIZABETH, *New Jersey* • LONDON, *England* • NASSAU, *Bahamas*

SUPERPACK CORPORATION LIMITED

254 Bartley Drive
Toronto 16, Ontario

NOTICE OF ANNUAL AND SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual and Special General Meeting of the Shareholders of Superpack Corporation Limited ("the Company") will be held at The Lord Simcoe Hotel, 150 King Street West, Toronto, Ontario, on Friday, the 15th day of May, 1970, at the hour of 10:00 o'clock in the forenoon, for the following purposes:

1. To receive and consider the financial statements of the Company as at November 30, 1969, together with the report of the directors and auditors thereon;

2. To appoint auditors and to authorize the directors to fix their remuneration;

3. To consider and, if deemed advisable, ratify and confirm the special resolution passed by the Directors of the Company increasing the number of directors from five to seven and providing that three directors shall form a quorum;

4. To elect seven directors;

5. To consider, and, if approved, to confirm, with or without variation, a resolution passed by the directors of the Company authorizing an application to the Lieutenant Governor of the Province of Ontario for the issue of Supplementary Letters Patent:

   (a) Changing the name of the Company to S.P.C. Group Limited, or such other name as may be acceptable to the Lieutenant Governor of the Province of Ontario, and

   (b) Varying the objects of the Company in accordance with the special resolution as reproduced on page 4;

6. To transact such other business as may properly come before the said meeting or any adjournment thereof.

Shareholders unable to be present in person at the meeting may vote thereat by means of the instrument of proxy enclosed herewith, or by any other appropriate instrument of proxy. If using the instrument of proxy enclosed herewith, sign and date same and return it to the Company in the envelope provided. An information circular accompanies this notice.

DATED at Toronto, Ontario, this 16th day of April, 1970.

By Order of the Board,

N. WHITE,
Secretary.

SUPERPACK CORPORATION LIMITED

254 Bartley Drive
Toronto 16, Ontario

INFORMATION CIRCULAR

This circular is furnished in connection witih the solicitation of proxies by the management of Superpack Corporation Limited (hereinafter called "The Company"), for use at the Annual and Special General Meeting of Shareholders of the Company to be held at the Lord Simcoe Hotel, 150 King Street West, Toronto, Ontario, on the 15th day of May, 1970, at 10:00 a.m. for the purposes set forth in the foregoing notice of meeting.

RIGHT OF REVOCATION

A shareholder executing the enclosed proxy has the power to revoke it any time before it is exercised.

PERSONS MAKING SOLICITATIONS AND METHOD THEREOF

The enclosed proxy is solicited by the management of the Company and the cost of solicitation will be borne by the Company. It is expected that the solicitation will be primarily by mail.

VOTING OF SHARES AND PRINCIPAL HOLDERS THEREOF

Only shareholders of record as of May 10, 1970, will be entitled to vote at the Annual and Special General Meeting. Each share of the Company is entitled to one vote. The Company has two classes of shares — common shares and preference shares. As of April 16, 1970, the Company had outstanding 577,787 common shares only. To the knowledge of the directors and senior officers of the Company, there are, as at April 16, 1970, the following beneficial owners holding directly or indirectly common shares of the Company that carry more than 10% of the voting rights attaching to all equity shares of the Company:

Diversified Credit Corporation Limited,
Box 998, Nassau, Bahamas ..... 133,125 common shares
(Owned by a Trust for the family of Irving Gould, Chairman and Director of the Company)

Briton Investments Limited,
347 Bay Street, Toronto ..... 128,875 common shares
(Owned by a Trust for the family of T. D. Richmond, ,President and Director of the Company)

ELECTION OF DIRECTORS

There are presently five (5) directors of the Company. It is the intention of the persons named in the accompanying form of proxy to vote such proxy for the election, as directors, of the nominees listed below. The management has no reason to believe that the persons named will not be available but in the event that a vacancy among the original nominees occurs prior to the meeting the proxy will be voted, subject to the above reservation, for a substitute nominee or nominees designated by the management and for the remaining nominees.

Of the nominees all except Leslie L. Cahan and Stanley Heller were elected by the shareholders at the last annual meeting. Leslie L. Cahan and Stanley Heller since August 1966 have been officers of Scholarship Consultants of North America Ltd. and prior to August 1966 were self-employed business executives. Seven (7) directors are to be elected to hold office until the next annual meeting and until their successors shall be elected and shall qualify.

Nominee	Principal Occupation	Became a Director of Superpack	Shares of Common Stock Beneficially Owned Directly or Indirectly as of April 16, 1970
Irving Gould (Chairman and Director)	Financier	Mar. 14, 1963	1
T. D. Richmond (President and Director)	Manufacturer	Apr. 3, 1962	1
G. Brina (Vice-President and Director)	Executive	Oct. 11, 1962	5,840
H. W. Marache, Jr. (Director)	Stockbroker	Oct. 11, 1962	1,100
N. White (General Manager and Director)	Executive	Apr. 5, 1961	1
Leslie L. Cahan	Executive	—	—
Stanley Heller	Executive	—	—

(Reference is also made to the heading "VOTING OF SHARES AND PRINCIPAL HOLDERS OF SHARES")

REMUNERATION OF MANAGEMENT

The Company has paid a total of $226,740.00 by way of salaries to its senior officers as a group during the fiscal year ended November 30, 1969.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Of the options granted to Mr. G. Brina, Vice-President and director of the Company and to C. P. Brina, F. Viggiano, U. Viggiano and H. Vinnet, directors and/or officers of Scientific Packaging Corp., Bayway Terminal, Laurel Street, Linden, New Jersey, a wholly-owned subsidiary of the Company, to purchase a total of 25,000 shares of the capital stock of the Company at $9.90 per share 13,150 were exercised prior to April 16, 1970. The balance of the options may be exercised at any time prior to October 8, 1971.

On April 3, 1970, the Company by agreement dated March 6, 1970, acquired all of the outstanding shares of the capital stock of Scholarship Consultants of North America Ltd. from, among others, Messrs. Stanley Heller and Leslie L. Cahan both of whom are proposed nominees for election as directors of the Company. Pursuant to the terms of the purchase agreement, the Company has issued to Messrs. Heller and Cahan, Series B share purchase warrants entitling the registered holders thereof to purchase a total of 100,000 common shares without par value in the capital of the Company at the price of $15.50 per share exercisable at any time up to the close of business on April 3, 1975.

APPOINTMENT OF AUDITORS

It is intended to vote the proxy to re-appoint the firm of Perlmutter, Orenstein, Giddens, Newman & Co., the present Auditors, as the Auditors of the Company to hold office until the next Annual Meeting of Shareholders, unless contrary instructions are given in the enclosed form of proxy.

PARTICULARS OF MATTERS TO BE ACTED UPON

The management does not know of any matters to be presented for action other than those set forth in items 1 - 6 of the Notice of Annual and Special General Meeting. However, if other matters not now known shall properly come before the meeting, including a vacancy or vacancies caused by one or more of the nominees for directors becoming unavailable for election, the accompanying proxy will be voted on such matters in accordance with the best judgment of the person or persons voting the proxy.

MANNER OF VOTING PROXIES

The shares represented by proxies received by the management will be voted, and will be voted in accordance with the statements made above except as may otherwise be stated on the accompanying instrument of proxy. It is intended that the accompanying instrument of proxy, if signed, dated and returned to the Company prior to the meeting, will be voted in the election of the board of directors and in favour of the appointment of Auditors aforesaid, all as set forth above.

THE PERSONS NAMED IN THE ACCOMPANYING INSTRUMENT OF PROXY ARE OFFICERS OF THE COMPANY. A SHAREHOLDER HAS THE RIGHT TO APPOINT ANY PERSON OTHER THAN THOSE NAMED TO REPRESENT HIM AT THE MEETING AND IF USING THE ACCOMPANYING INSTRUMENT, SHOULD STRIKE OUT THE PRINTED NAMES AND INSERT THE NAME OF HIS NOMINEE IN THE SPACE PROVIDED THEREFOR.

Dated April 16, 1970.

On Behalf of the Board of Directors,

N. WHITE,

Secretary.

SPECIAL RESOLUTION:

RESOLVED

As a special resolution that:

1. The company be and is hereby authorized to make application to the Lieutenant Governor of the Province of Ontario for Supplementary Letters Patent:
   (a) Changing the name of the company to S.P.C. Group Limited, and
   (b) Varying the objects of the company by adding to the present objects of the company, the following:
      (i) To carry on the business of an investment company and to invest in shares, stocks, bonds, debentures and other securities and other evidences of indebtedness and obligations issued or guaranteed by any corporation, company, chartered bank, association, partnership, syndicate, entity, person or governmental, municipal or public authority, domestic or foreign and evidences of any interest in respect of any such shares, stocks, bonds, debentures and other securities and other evidences of indebtedness and obligations and to lend money without security or upon the security of real or personal property and to change, alter or realize upon any investments and to re-invest any monies which may at any time be available for that purpose;
      (ii) To procure capital, credit or other assistance for establishing, extending or re-organizing any enterprise or industry carried on or intended to be carried on by any person, firm, corporation or company;
      (iii) To promote, organize, manage or develop or assist in the promotion, organization, management or development of any corporation, company, syndicate, firm, partnership, enterprise or undertaking, or to take over, manage and dispose of in any manner whatsoever, any business or undertaking in which the company may be interested or in the securities of which it may have invested its funds or with which it may have business relations.

2. The directors and officers be and are hereby authorized to do, sign and execute all such things, deeds and documents necessary or desirable for the due carrying out of the foregoing.

AR23

Report to the Shareholders of . . .

SUPERPACK CORPORATION LIMITED

For the Six Months Ended May 31, 1969

Interim Results

(SUBJECT TO YEAR-END ADJUSTMENT AND AUDIT)

EARNINGS

	For the Six Months Ended May 31, 1969	May 31, 1968
SALES	$5,217,289	$5,249,429
EARNINGS BEFORE PROVISION FOR UNDERNOTED ITEMS	$ 786,367	$ 775,275
DEPRECIATION AND AMORTIZATION	$ 286,079	$ 309,755
INTEREST (including interest on long-term debt $53,326; 1968 - $98,758)	$ 57,796	$ 117,550
INCOME TAXES	$ 211,700	$ 86,400
NET EARNINGS	$ 230,792	$ 261,570
NET EARNINGS PER SHARE	42¢	52¢
AVERAGE NUMBER OF SHARES OUTSTANDING	550,493	501,005

SOURCE & APPLICATION OF FUNDS

	For the Six Months Ended May 31, 1969	May 31, 1968
SOURCE OF FUNDS		
OPERATIONS		
NET EARNINGS	$ 230,792	$261,570
ADD—DEPRECIATION AND AMORTIZATION	286,079	309,755
	$ 516,871	$571,325
DISPOSITION OF FIXED ASSETS	3,490	26,314
ISSUE OF CAPITAL STOCK		
CONVERSION OF DEBENTURES	708,100	—
EXERCISE OF EMPLOYEE STOCK OPTIONS	90,450	—
Total Funds Provided	$1,318,911	$597,639
APPLICATION OF FUNDS		
LONG TERM DEBT		
CONVERSION OF DEBENTURES INTO COMMON SHARES	$ 708,100	—
LESS—PORTION THEREOF INCLUDED IN CURRENT LIABILITIES AS AT NOVEMBER 30, 1968	78,000	—
	$ 630,100	—
REDUCTION OF OTHER LONG TERM DEBT	25,087	$262,775
PURCHASE OF FIXED ASSETS	236,773	72,722
MISCELLANEOUS APPLICATIONS	13,979	10,378
Total Funds Applied	$ 905,939	$345,875
INCREASE IN WORKING CAPITAL	412,972	251,764
	$1,318,911	$597,639

To the Shareholders

Sales and earnings before depreciation, amortization, interest and income taxes for the first six months of the fiscal year are approximately the same as the corresponding period in the preceding year. Depreciation and amortization is $23,676 lower; interest is $59,754 lower; but income taxes have risen from the re-stated $86,400 for the six months ended May 31, 1968 to $211,700 for the six months ended May 31, 1969 resulting in a diminution of net earnings. This results in an earnings of 42¢ per share on an increase of approximately 10% in the average number of shares outstanding.

The effective rate of income taxes is now approximately 48% as a result of the Company having used up its losses carried forward for income tax purposes. The re-statement of income taxes for the prior six month period is due to a change in the method of calculating the loss carried forward for income tax purposes last year in the U.S. subsidiary.

There has been a significant increase in working capital of $161,208 during the course of the first six months of this fiscal year over the same period last year. The company will continue to strive for improvements in its operations.

July 22, 1969

T. D. RICHMOND, President

SUPERPACK CORPORATION LIMITED

254 BARTLEY DRIVE, TORONTO 16, ONTARIO

WHOLLY OWNED SUBSIDIARIES AND DIVISIONS

SCIENTIFIC PACKAGING CORPORATION	Elizabeth, New Jersey
	Los Angeles, California
	St. Louis, Missouri
COIN-OP SALES CORPORATION	Elizabeth, New Jersey
LAUNDRY PRODUCTS CORPORATION	Elizabeth, New Jersey
NORTEX OF CANADA LIMITED	London, England
NORTEX PRODUCTS COMPANY	Toronto, Ontario
CANBAR DISTRIBUTORS LIMITED	Montreal, Quebec
SUPERPACK FOODS LIMITED	Toronto, Ontario
SUPERPACK VENDING (NASSAU) LIMITED	Nassau, Bahamas
SUPERPACK VENDING (CURACAO) N.V.	Nassau, Bahamas

DIRECTORS

I. GOULD — T. D. RICHMOND — G. BRINA

N. WHITE — H. W. MARACHE, JR.

OFFICERS

I. GOULD	Chairman of the Board
T. D. RICHMOND	President
G. BRINA	Vice-President
M. E. GOULD	Vice-President—European Operations
H. VINNET	Vice-President — Finance
N. WHITE	Secretary
G. PAPERNICK	Treasurer

REGISTRAR AND TRANSFER AGENT

GUARANTY TRUST COMPANY OF CANADA

AUDITORS

PERLMUTTER, ORENSTEIN, GIDDENS, NEWMAN AND CO.